

CITY OF STRAWBERRY POINT, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2022

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City of Strawberry Point

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hannah Evans	Mayor	Jan 2022
Burt Chapman (Resigned)	Council Member	Nov 2020
Jason Gearhart (Appointed Dec 2020)	Council Member	Jan 2022
Megan Hansel	Council Member	Jan 2024
Duane Johnson (Resigned)	Council Member	Dec 2020
David Gould (Appointed Aug 2020)	Council Member	Jan 2024
Dean Courtnage	Council Member	Jan 2024
Wally Rowcliffe	Council Member	Jan 2022
Ashley Jasper	City Clerk/Administrator	Indefinite
Susan Meyer	Treasurer	Indefinite
Patrick Dillon	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hannah Evans	Mayor	Jan 2024
Jason Gearhart	Council Member	Jan 2026
Megan Hansel	Council Member	Jan 2024
David Gould	Council Member	Jan 2024
Dean Courtnage	Council Member	Jan 2024
Deb Yokiel	Council Member	Jan 2026
Ashley Jasper (Resigned)	City Clerk/Administrator	Apr 2022
Susan Meyer	Treasurer	Indefinite
Patrick Dillon	Attorney	Indefinite

City of Strawberry Point

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:
City of Strawberry Point, Iowa

Report on the Audit of the Financial Statements

Qualified Opinions

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point, Iowa, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2021, as described in the basis for qualified opinion section of my report, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point as of June 30, 2022, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balances at July 1, 2021.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the City of Strawberry Point, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of

internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Strawberry Point's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement make by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the City of Strawberry Point's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Strawberry Point's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Strawberry Point's basic financial statements. The supplementary information included on pages 24 through 25, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, except for the effects on the supplementary information as described in the Basis for Qualified Opinions section of my report, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

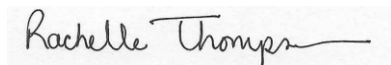
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of city contributions on pages 19 through 23, but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2023 on my consideration of the City of Strawberry Point's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Strawberry Point's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachelle Thompson". The signature is written in a cursive, flowing style.

RACHELLE K. THOMPSON, CPA
Hampton, Iowa

June 22, 2023

Basic Financial Statements

City of Strawberry Point - Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total
					Governmental Activities	Business Type Activities	
Functions/Programs:							
Primary Government:							
Governmental Activities							
Public safety	\$ 566,178	\$ 406,439	\$ 300	\$ -	\$ (159,439)	\$ -	\$ (159,439)
Public works	179,519	87,807	162,752	-	71,040	-	71,040
Culture and recreation	306,262	27,364	120,108	-	(158,790)	-	(158,790)
Community and economic development	28,951	-	-	-	(28,951)	-	(28,951)
General government	157,950	23,959	-	-	(133,991)	-	(133,991)
Debt service	246,879	-	-	-	(246,879)	-	(246,879)
Capital projects	53,099	-	25,000	-	(28,099)	-	(28,099)
Total Governmental Activities	1,538,838	545,569	308,160	-	(685,109)	-	(685,109)
Business Type Activities							
Water	146,419	222,901	-	-	-	76,482	76,482
Sewer	279,231	350,296	-	-	-	71,065	71,065
Electric	1,045,656	1,142,011	-	-	-	96,355	96,355
Total Business Type Activities	1,471,306	1,715,208	-	-	-	243,902	243,902
Total	\$ 3,010,144	\$ 2,260,777	\$ 308,160	\$ -	(685,109)	243,902	(441,207)
General Receipts							
Property and other city tax levied for:							
General purposes					536,229	-	536,229
Debt service					38,751	-	38,751
Local option sales tax					170,852	-	170,852
Unrestricted interest on investments					21,611	5,785	27,396
Miscellaneous					122,192	-	122,192
Total General Receipts					889,635	5,785	895,420
Change in Cash Basis Net Position					204,526	249,687	454,213
Cash Basis Net Position Beginning of Year					924,791	1,629,183	2,553,974
Cash Basis Net Position End of Year					\$ 1,129,317	\$ 1,878,870	\$ 3,008,187
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					259,477	-	259,477
Urban renewal purposes					1,683	-	1,683
Capital projects					101,846	-	101,846
Other purposes					458,396	-	458,396
Unrestricted					307,915	1,878,870	2,186,785
Total Cash Basis Net Position					\$ 1,129,317	\$ 1,878,870	\$ 3,008,187

See notes to financial statements.

City of Strawberry Point - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Governmental Funds
As of and for the year ended June 30, 2022

		Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Debt Service Levy	Nonmajor Governmental	Total
Receipts						
Property tax	\$ 393,918	\$ -	\$ -	\$ 38,751	\$ 142,311	\$ 574,980
Local option sales tax	-	-	170,852	-	-	170,852
Other city tax	26,824	-	-	-	-	26,824
Licenses and permits	4,490	-	-	-	-	4,490
Use of money and property	80,601	-	-	-	-	80,601
Intergovernmental	66,696	162,752	-	-	92,461	321,909
Charges for services	470,789	-	-	-	-	470,789
Special assessments	-	-	-	23,872	-	23,872
Miscellaneous	31,047	-	-	13,000	25,000	69,047
Total Receipts	1,074,365	162,752	170,852	75,623	259,772	1,743,364
Disbursements						
Operating:						
Public safety	520,022	-	-	-	46,156	566,178
Public works	86,902	84,124	-	-	8,493	179,519
Culture and recreation	288,890	-	-	-	17,372	306,262
Community and economic development	2,750	-	26,201	-	-	28,951
General government	153,745	-	-	-	4,205	157,950
Debt service	-	-	-	246,879	-	246,879
Capital projects	-	-	-	-	53,099	53,099
Total Disbursements	1,052,309	84,124	26,201	246,879	129,325	1,538,838
Excess (Deficiency) of Receipts Over (Under)						
Disbursements	22,056	78,628	144,651	(171,256)	130,447	204,526
Cash Balances Beginning of Year	327,779	180,849	198,091	129,336	88,736	924,791
Cash Balances End of Year	\$ 349,835	\$ 259,477	\$ 342,742	\$ (41,920)	\$ 219,183	\$ 1,129,317
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	\$ 259,477	\$ -	\$ -	\$ -	\$ 259,477
Urban renewal purpose	-	-	-	-	1,683	1,683
Capital projects	-	-	-	-	101,846	101,846
Other purposes	-	-	342,742	-	115,654	458,396
Unrestricted	349,835	-	-	(41,920)	-	307,915
Total Cash Basis Fund Balances	\$ 349,835	\$ 259,477	\$ 342,742	\$ (41,920)	\$ 219,183	\$ 1,129,317

See notes to financial statements

City of Strawberry Point - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Enterprise Funds

As of and for the year ended June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Non major Sewer Sinking</u>	<u>Total</u>
Operating Receipts:					
Charges for Service	<u>\$ 222,901</u>	<u>\$ 350,296</u>	<u>\$ 1,142,011</u>	<u>\$ -</u>	<u>\$ 1,715,208</u>
Operating Disbursements:					
Business Type Activities	<u>146,419</u>	<u>163,671</u>	<u>1,045,656</u>	<u>-</u>	<u>1,355,746</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>76,482</u>	<u>186,625</u>	<u>96,355</u>	<u>-</u>	<u>359,462</u>
Non-Operating Receipts (Disbursements)					
Use of money and property	-	2,549	3,236	-	5,785
Debt service	-	-	-	(115,560)	(115,560)
Total Non-Operating Receipts (Disbursements)	<u>-</u>	<u>2,549</u>	<u>3,236</u>	<u>(115,560)</u>	<u>(109,775)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>76,482</u>	<u>189,174</u>	<u>99,591</u>	<u>(115,560)</u>	<u>249,687</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	96,300	96,300
Transfers out	-	(96,300)	-	-	(96,300)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(96,300)</u>	<u>-</u>	<u>96,300</u>	<u>-</u>
Change in Cash Balances	<u>76,482</u>	<u>92,874</u>	<u>99,591</u>	<u>(19,260)</u>	<u>249,687</u>
Cash Balances Beginning of Year	<u>31,785</u>	<u>227,464</u>	<u>1,360,304</u>	<u>9,630</u>	<u>1,629,183</u>
Cash Balances End of Year	<u>\$ 108,267</u>	<u>\$ 320,338</u>	<u>\$ 1,459,895</u>	<u>\$ (9,630)</u>	<u>\$ 1,878,870</u>
Cash Basis Fund Balances					
Unrestricted	<u>\$ 108,267</u>	<u>\$ 320,338</u>	<u>\$ 1,459,895</u>	<u>\$ (9,630)</u>	<u>\$ 1,878,870</u>
Total Cash Basis Fund Balances	<u>\$ 108,267</u>	<u>\$ 320,338</u>	<u>\$ 1,459,895</u>	<u>\$ (9,630)</u>	<u>\$ 1,878,870</u>

See notes to financial statements.

City of Strawberry Point – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Strawberry Point is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and electric utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Strawberry Point has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Emergency Management Commission, Clayton County Joint E911 Service Board, and Clayton County Assessor's Conference Board.

Basis of Presentation

Government-wide Financial Statement – The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

City of Strawberry Point – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The cash basis statement of activities and net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue

The *Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The *Local Option Sales Tax Fund* is used to account for the appropriations of the LOST receipts for roads, capital improvements, operating expenses, infrastructure, equipment, economic development, public safety expenses, public buildings or any lawful purpose.

The *Debt Service Levy Fund* is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major Enterprise funds:

The *Enterprise, Water Fund* accounts for the operation and maintenance of the City's water system.

The *Enterprise, Sewer Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system as well as transfers to the sewer sinking fund for payment of principal and interest on revenue notes.

The *Enterprise, Electric Fund* accounts for the operation and maintenance of the City's electric system.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly,

City of Strawberry Point – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a Enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

Estimates and Assumptions

The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

City of Strawberry Point – Notes to the Financial Statements

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City did not have any investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No.72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation Notes	\$ 590,000	\$ -	\$ 125,000	\$ 465,000	\$ 130,000
General Obligations Bonds	606,087	-	96,936	509,151	44,000
Governmental activities total	\$ 1,196,087	\$ -	\$ 221,936	\$ 974,151	\$ 174,000
Business type activities					
Sewer Revenue Bonds	\$ 728,000	\$ -	\$ 101,000	\$ 627,000	\$ 104,000

General Obligation Notes and Bonds

A summary of the City's June 30, 2022 general obligation notes and bonds payable is as follows:

Year Ending June 30,	<u>Corporate Purpose & Refunding Issued November 15, 2012</u>			<u>Corporate Purpose Issued May 29, 2019</u>			<u>Totals</u>		
	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	1.90%	130,000	9,888	2.10%	44,000	9,980	174,000	19,868	193,868
2024	2.05%	135,000	7,418	2.10%	46,000	9,931	181,000	17,349	198,349
2025	2.20%	50,000	4,650	2.10%	48,000	8,924	98,000	13,574	111,574
2026	2.20%	50,000	3,550	2.10%	50,000	7,902	100,000	11,452	111,452
2027	2.45%	50,000	2,450	2.10%	51,000	6,838	101,000	9,288	110,288
2028-2032	2.45%	50,000	1,225	2.10%	270,151	17,494	320,151	18,719	338,870
TOTAL		<u>465,000</u>	<u>29,181</u>		<u>509,151</u>	<u>61,069</u>	<u>974,151</u>	<u>90,250</u>	<u>1,064,401</u>

City of Strawberry Point – Notes to the Financial Statements

(3) Bonds and Notes Payable

On November 15, 2012, the City issued \$1,500,000 of general obligation bonds with an interest rate of 1.0% to 2.45% per annum. The bonds were issued to refinance the 2005 series general obligation bonds that were issued for improvements to roadway and related storm sewer, sanitary sewer and water system utilities. During the year ended June 30, 2022, the City paid \$125,000 of principal and \$12,575 of interest on the bonds.

On May 29, 2019, the City issued \$750,000 of general obligation notes with an interest rate of 3.5% per annum. The interest rate was later adjusted to 2.1% per annum. The notes were issued for a new fire station. During the year ended June 30, 2022, the City paid \$96,936 of principal and \$12,369 of interest on the notes.

Revenue Bonds

A summary of the City's June 30, 2022 revenue bonds payable is as follows:

Year Ending June 30,	Sewer Revenue Bonds Issued February 7, 2006			Sewer Revenue Bonds Issued November 17, 2017			Totals		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2023	1.75%	89,000	5,766	1.75%	15,000	5,060	104,000	10,826	114,826
2024	1.75%	92,000	4,183	1.75%	15,000	4,760	107,000	8,943	115,943
2025	1.75%	95,000	2,546	1.75%	15,000	4,460	110,000	7,006	117,006
2026	1.75%	98,000	858	1.75%	16,000	4,160	114,000	5,018	119,018
2027	-	-	-	1.75%	16,000	3,840	16,000	3,840	19,840
2028-2032	-	-	-	1.75%	83,000	14,340	83,000	14,340	97,340
2033-2037	-	-	-	1.75%	93,000	5,640	93,000	5,640	98,640
TOTAL		374,000	13,353		253,000	42,260	627,000	55,613	682,613

Sewer Revenue Bonds – Direct Borrowing

On February 7, 2006, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of \$1,500,000 of sewer revenue bonds with interest at 1.75% per annum, maturing in 2026. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa for the purpose of paying costs of constructing improvements and extensions to the sanitary sewer system.

On November 17, 2017, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of \$322,000 of sewer revenue notes with interest at 1.75% per annum, maturing in 2036. The notes were issued pursuant to the provision of Chapters 384.24A and 384.83 of the Code of Iowa for the purpose of paying cost of construction of certain wastewater treatment facilities.

In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue notes or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. The agreements require the City to pay 0.25% servicing fee on the outstanding principal balances. Total principal and interest remaining to be paid on the bonds is \$387,353. For the year ended June 30, 2022, principal and interest paid and total customer net receipts were \$96,20 and \$186,625, respectively.

City of Strawberry Point – Notes to the Financial Statements

(3) Bonds and Notes Payable

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

1. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
2. Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the enterprise funds for the purpose of making the bond principal and interest payments when due.
3. User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes due in the same year.

The City was not in compliance with sinking fund requirement as of June 30, 2022.

Equipment Purchase Agreement

On February 12, 2018, the City entered into an equipment purchase agreement for a Tahoe with an initial liability of \$48,131. The agreement bears interest at 3.75% per annum and is payable with monthly installments of \$653 over 7 years, with a final payment of \$545 due by January 12, 2025.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

City of Strawberry Point – Notes to the Financial Statements

(4) Pension Plan

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$50,013.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported an asset of \$(145,836) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.0422435%, which was an increase of 0.039107% from its proportion measured as of June 30, 2020.

City of Strawberry Point – Notes to the Financial Statements

(4) Pension Plan

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(33,204), \$65,836 and \$369,194, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	4.43%
International Equity	17.5	6.01
Global Smart Beta Equity	6.0	5.10
Core Plus Fixed Income	26.0	0.29
Public Credit	4.0	2.08
Cash	1.0	(0.25)
Private Equity	13.0	9.51
Private Real Assets	7.5	4.63
Private Credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current

City of Strawberry Point – Notes to the Financial Statements

(4) Pension Plan

active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 144,512	\$ (145,836)	\$ (389,014)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

The City of Strawberry Point does not offer other postemployment benefits to employees.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and holiday hours for subsequent use or for payment upon termination, retirement or death. Unused accumulated sick leave is paid out at \$1 per hour upon termination for any reason. These accumulations are not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation, comp time and holiday payable to employees at June 30, 2022, primarily relating to the General Fund, was as follows:

Type of Benefit	Amount
Vacation	\$ 22,900
Comp time	2,400
Sick leave	2,300
Total	<u>\$ 27,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer To	Transfer From	Amount
Enterprise Sewer Sinking	Enterprise Sewer	<u>\$ 96,300</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Strawberry Point – Notes to the Financial Statements

(8) Deficit Fund Balance

At June 30, 2022, the Debt Service, Debt Service Levy fund and Enterprise, Sewer Sinking fund had deficit balances of \$41,920 and \$9,630, respectively. The City is aware of the deficit fund balances and is actively working to restore the funds to a sound financial position.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, the City did not abate any property tax under urban renewal and economic development agreements.

Tax Abatements of Other Entities

Property tax revenue of the City was not reduced for the year ended June 30, 2022 as a result of any agreements entered into by other entities.

(11) Subsequent Events

Management has evaluated subsequent events through June 22, 2023, the date the financial statements were available to be issued.

(12) Commitments

As of June 30, 2022, the City Council had approved contracts total approximately \$578,000 for a Civic Center Improvement project to be completed after year end.

City of Strawberry Point – Notes to the Financial Statements

(13) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Strawberry Point, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Strawberry Point. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Strawberry Point.

Other Information

City of Strawberry Point - Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual – All Governmental Funds and Enterprise Funds

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 574,980	\$ -	\$ 574,980	\$ 526,625	\$ 526,625	\$ 48,355
Local option sales tax	170,852	-	170,852	-	-	170,852
Other city tax	26,824	-	26,824	148,543	148,543	(121,719)
Licenses and permits	4,490	-	4,490	18,250	18,250	(13,760)
Use of money and property	80,601	5,785	86,386	78,180	82,680	3,706
Intergovernmental	321,909	-	321,909	225,713	679,368	(357,459)
Charges for services	470,789	1,715,208	2,185,997	1,745,455	1,748,895	437,102
Special assessments	23,872	-	23,872	35,000	35,000	(11,128)
Miscellaneous	69,047	-	69,047	170,200	262,050	(193,003)
Total Receipts	1,743,364	1,720,993	3,464,357	2,947,966	3,501,411	(37,054)
Disbursements:						
Public safety	566,178	-	566,178	505,735	559,735	(6,443)
Public works	179,519	-	179,519	221,385	221,385	41,866
Culture and recreation	306,262	-	306,262	244,205	307,105	843
Community and economic development	28,951	-	28,951	2,850	29,051	100
General government	157,950	-	157,950	150,625	160,625	2,675
Debt service	246,879	-	246,879	196,297	196,297	(50,582)
Capital projects	53,099	-	53,099	-	588,080	534,981
Business type activities	-	1,471,306	1,471,306	1,447,495	1,627,700	156,394
Total Disbursements	1,538,838	1,471,306	3,010,144	2,768,592	3,689,978	679,834
Excess (Deficiency) of Receipts Over (Under) Disbursements	204,526	249,687	454,213	179,374	(188,567)	642,780
Other financing sources, net	-	-	-	-	146,425	(146,425)
Change in balances	204,526	249,687	454,213	179,374	(42,142)	496,355
Balances Beginning of Year	924,791	1,629,183	2,553,974	2,091,735	2,091,735	462,239
Balances End of Year	\$ 1,129,317	\$ 1,878,870	\$ 3,008,187	\$ 2,271,109	\$ 2,049,593	\$ 958,594

See accompanying independent auditor's report.

City of Strawberry Point – Notes to Other Information – Budgetary Reporting

June 30, 2022

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$921,386. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

**City of Strawberry Point – Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset)
Iowa Public Employees’ Retirement System**

Other Information

For the Last Two Years*

	2022	2021
City’s proportion of the net pension liability.. (asset)	0.047631%	0.045598%
City’s proportionate share of the net pension liability (asset)	\$ (146,000)	\$ 220,000
City’s covered payroll.....	\$ 487,000	\$ 403,000
City’s proportionate share of the net pension liability (asset) as a percentage of its covered payroll.....	(29.98)%	54.59%
IPERS’ net position as a percentage of the total pension liability (asset).....	100.81%	82.90%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor’s report.

**City of Strawberry Point – Schedule of City Contributions
Iowa Public Employees' Retirement System**

Other Information

For the Last Three Years*

	2022	2021	2020
Satutorily required contribution	\$ 50,000	\$ 46,000	\$ 38,000
Contributions in relation to the statutorily required contributions	<u>(50,000)</u>	<u>(46,000)</u>	<u>(38,000)</u>
Contribution Deficiency (Excess)	<u>\$ --</u>	<u>\$ ---</u>	<u>\$ ---</u>
City's covered payroll	\$ 532,000	\$ 487,000	\$ 403,000
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%

Note: City contributions and covered payroll information for the years ended June 30, 2013 through June 30, 2019 were not readily available.

See accompanying independent auditor's report.

City of Strawberry Point - Notes to Other Information – Pension Liability

Year ended June 30, 2022

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Strawberry Point - Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds

As of and for the year ended June 30, 2022

	Special Revenue				Total
	Employee Benefits	Emergency	Urban Renewal Tax Increment Financing	Capital Projects	
Receipts					
Property tax	\$ 132,632	\$ 9,679	\$ -	\$ -	\$ 142,311
Intergovernmental	-	-	-	92,461	92,461
Miscellaneous	-	-	-	25,000	25,000
Total Receipts	132,632	9,679	-	117,461	259,772
Disbursements					
Operating:					
Public safety	46,156	-	-	-	46,156
Public works	8,493	-	-	-	8,493
Culture and recreation	17,372	-	-	-	17,372
General government	4,205	-	-	-	4,205
Capital projects	-	-	-	53,099	53,099
Total Disbursements	76,226	-	-	53,099	129,325
Excess (Deficiency) of Receipts Over (Under) Disbursements	56,406	9,679	-	64,362	130,447
Cash Balances Beginning of Year	49,569	-	1,683	37,484	88,736
Cash Balances End of Year	\$ 105,975	\$ 9,679	\$ 1,683	\$ 101,846	\$ 219,183
Cash Basis Fund Balances					
Restricted for:					
Capital projects	-	-	-	101,846	101,846
Urban renewal purposes	-	-	1,683	-	1,683
Other purposes	105,975	9,679	-	-	115,654
Unrestricted	-	-	-	-	-
Total Cash Basis Fund Balances	\$ 105,975	\$ 9,679	\$ 1,683	\$ 101,846	\$ 219,183

See accompanying independent auditor's report

**City of Strawberry Point - Schedule of Receipts By Source and Disbursements By
Function - All Governmental Funds**

For the Year Ended June 30, 2022*

	<u>2022</u>
Receipts:	
Property tax	\$ 574,980
Local option sales tax	170,852
Other city tax	26,824
Licenses and permits	4,490
Use of money and property	80,601
Intergovernmental	321,909
Charges for services	470,789
Special assessments	23,872
Miscellaneous	69,047
Total Receipts	<u>\$ 1,743,364</u>
Disbursements:	
Operating:	
Public safety	\$ 566,178
Public works	179,519
Culture and recreation	306,262
Community and economic development	28,951
General government	157,950
Debt service	246,879
Capital projects	53,099
Total disbursements	<u>\$ 1,538,838</u>

Note: City receipts by source and disbursements by function for years ended June 30, 2013 through June 30, 2021 were not readily available.

See accompanying independent auditor's report.

City of Strawberry Point

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
City of Strawberry Point

I have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point, Iowa, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated June 22, 2023. My report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States since I was unable to satisfy myself as to the distribution by fund of the total July 1, 2021 fund balance.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Strawberry Point's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of express my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Strawberry Point's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Strawberry Point's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying schedule of findings, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Strawberry Point's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part II of the accompanying schedule of findings as item II-A-22 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in Part II of the accompanying schedule of findings as items II-B-22, II-C-22 and II-D-22 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Strawberry Point's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying schedule of findings.

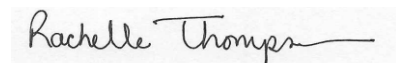
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Strawberry Point's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Strawberry Point's responses to the findings identified in my audit and described in the accompanying schedule of findings. The City of Strawberry Point's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA

Hampton, Iowa
June 22, 2023

City of Strawberry Point – Schedule of Findings

June 30, 2022

Part I: Summary of the Independent Auditor's Results:

- (a) Modified opinions were issued on the financial statements based on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States, since I was unable to satisfy myself as to the distribution by fund of the total July 1, 2021 fund balance.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which was material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

II-A-22 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal and reconciling the bank accounts. This individual also prepares and posts all adjusting journal entries.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Auditor's Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City's Response – We will continue to work toward improving segregation of duties where possible.

Auditor's Conclusion – Response accepted.

City of Strawberry Point – Schedule of Findings

June 30, 2022

II-B-22 Separately Maintained Records

Criteria – To appropriately account for and demonstrate accountability for all of the City's cash assets, procedures should be in place to ensure all bank accounts are included in the City's financial records. Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose."

Condition – The Strawberry Point Ambulance maintains a bank account separate from the City's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget or monthly financial reports.

Cause – There is no process implemented for consolidating all bank accounts with the City's records.

Effect – The bank accounts and related transactions were excluded from the City's records. This condition could result in unrecorded or misstated collections and the opportunity for misappropriation.

Auditor's Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.

City's Response – We will consider the recommendation and take steps to address this issue.

Auditor's Conclusion – Response accepted.

II-C-22 Posting of Financial Transactions

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – The receipt and disbursement entries for the fire association payments made on the General Obligation Notes were not recorded properly in the general ledger.

Cause – City policies do not require and procedures have not been established to provide for recording of payments of principal and interest on City debt made by outside associations.

Effect – Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Auditor's Recommendation – The City should establish procedures to ensure all receipts and disbursements are properly recorded and reported in the City's general ledger.

City of Strawberry Point – Schedule of Findings

June 30, 2022

City's Response – We will review this in the future to avoid errors to general ledger posting.

Auditor's Conclusion – Response accepted.

II-D-22 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and reviewing for unusual reconciling items.

Condition – Although bank reconciliations are performed monthly, outstanding electronic fund transfers were included in the bank reconciliations which should have cleared the bank by June 30.

Cause – City policies do not require and procedures have not been established to ensure bank reconciliations are reviewed monthly for unusual items.

Effect – Lack of performing a review of outstanding items on the bank reconciliation could result in undetected errors.

Auditor's Recommendation – To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared by the City. Any unusual outstanding items should be investigated and resolved in a timely manner.

City's Response – We will begin performing a review of outstanding items on the bank reconciliation.

Auditor's Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-22 Certified Budget - Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Auditor's Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City's Response – The budget will be amended in the future, if applicable.

Auditor's Conclusion - Response accepted.

III-B-22 Questionable Disbursements – No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-22 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Strawberry Point – Schedule of Findings

June 30, 2022

III-D-22 Business Transactions – No business transactions between the City and City officials or employees were noted:

III-E-22 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

III-F-22 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-G-22 City Council Minutes – No transactions were found that I believe should have been approved in the City Council minutes but were not.

III-H-22 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-I-22 Sewer Revenue Bonds – The City did not make transfers to the Sewer Bond Sinking Fund as required by the bond resolutions.

Auditor's Recommendation – The City should make the necessary transfers to the sewer bond sinking fund as required by the bond resolutions.

City's Response – We will do this.

Auditor's Conclusion – Response accepted.

III-J-22 Annual Urban Renewal Report (AURR) – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-K-22 Separately Maintained Accounts – The Ambulance maintains the Ambulance Equipment account within the Department. The related receipts and disbursements were not reflected in the City's accounting system and were not included in the City's annual budget, claims process or financial reports.

Auditor's Recommendation – In accordance with the Code of Iowa, all collections should be remitted to the City and all disbursements should be approved by the City Council and be reflected in the City's accounting system, annual budget and financial reports and claims should be approved by the City Council.

City's Response – We will consider procedures to do this.

Auditor's Conclusion – Response accepted.

III-L-22 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the State as required.

Auditor's Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

City of Strawberry Point – Schedule of Findings

June 30, 2022

City's Response – We will work to remit outstanding obligations to the State.

Auditor's Conclusion – Response accepted.

- III-M-22 Financial Condition** – The Debt Service Levy fund and Enterprise, Sewer Sinking funds had deficit balances of \$41,920 and \$9,630, respectively at June 30, 2022.

Auditor's Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

City's Response – We will review alternatives to eliminate the deficit balances.

Auditor's Conclusion – Response accepted.

- III-N-22 Tax Increment Financing** – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has certified total TIF indebtedness of \$290,000 to the County Auditor, however, a total of \$901,165 of TIF debt has been reported on the Annual Urban Renewal Report. Therefore, it appears TIF indebtedness has been underreported to the County Auditor. No TIF debt certification was filed with the County for 2020-2021.

Auditor's Recommendation – The City should investigate and determine the amount of TIF indebtedness and ensure the proper amount of debt is certified to the County Auditor.

City's Response – We will work to correct this discrepancy and certify TIF annually with the County.

Auditor's Conclusion – Response accepted.

- III-O-22 Local Option Sales Tax (LOST)** – The City's LOST ballot requires LOST receipts to be allocated as follows: 33 1/3% fire protection, 33 1/3% for emergency medical services and 33 1/3% for any lawful purpose of the City. LOST disbursements were not tracked in a manner to document compliance with the requirement of the LOST ballot.

Auditor's Recommendation – The City should establish procedures to track all LOST disbursements to ensure LOST receipts are being used in accordance with the LOST ballot.

City's Response – We will begin tracking the LOST fund balance for allocation among allowed LOST uses per the LOST ballot.

Auditor's Response – Response accepted.